

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. BURR. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BURR. Mr. President, it is my understanding the Senate is in morning business?

The PRESIDING OFFICER. We are.

Mr. BURR. Mr. President, I ask unanimous consent to speak for 15 minutes.

The PRESIDING OFFICER. Without objection, it is so ordered.

The Senator from North Carolina is recognized.

Mr. BURR. I thank the Chair.

(The remarks of Senator BURR pertaining to the introduction of S. 2573 are located in today's RECORD under "Statements on Introduced Bills and Joint Resolutions.")

Mr. BURR. I yield the floor and suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. SALAZAR). The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. CARPER. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. TESTER.) Without objection, it is so ordered.

#### ECONOMIC STIMULUS

Mr. CARPER. Mr. President, it is almost 2 o'clock. This afternoon, as I understand it, the Senate Finance Committee is beginning to convene and to gather to debate the economic stimulus package which has come over to us from the House and to see what changes, if any, we might want to make in the Senate. I wish them good luck and Godspeed.

If you look at the history of stimulus packages in this country—I came to the House in 1982, was here for a while, went off to be Governor of my State, and came back at the beginning of this decade. But the history of stimulus packages is, sometimes we seem to pass them, and we have passed them after some delay. We have passed them actually after we have not only gotten into a recession, but we were actually coming out of a recession. And rather than being helpful as you go into a recession, turning things around, the stimulus package can be inflationary, an after-the-fact thought, and not all that timely, not all that helpful.

When we hear advice from economists and others on putting together a stimulus package, we hear the three Ts. The first of those is "timely." And the House has acted in a very timely way, working with the administration, to put together a package, not a bad package. I commend Speaker PELOSI and Secretary Paulson for the work they have done. It is not a perfect package, but I do not know that any of

us could draw up a package that would be.

It is timely. It has come to us expeditiously. It has come to us on a day on which I believe the Federal Reserve is meeting to discuss whether they might want to lower the Federal funds rate by another quarter or half a percent on top of the three-quarters of a point reduction they adopted actually a week and a half ago.

A second piece of advice we have always gotten from economists and policy wonks on recession stimulus packages is, not only should it be timely, but it should be targeted; that is, the money should go to those places where the money will not simply be taken by whoever receives the benefit of a stimulus package and save more money, but would actually take the money and put it back into the economy to help get the economy moving.

I heard earlier today some discussions going on in the Budget Committee. One of the witnesses was saying he was rather skeptical and dubious of a stimulus package and said it is like the Federal Government borrowing money and taking that money out of one pocket and putting it in the other.

If we simply take the money from a stimulus package that the Federal Government might try to infuse into the economy, we give it to people who put it into their pockets who are just going to save the money, I do not know that we do a whole lot of good in stimulating the economy. That is not to say we do not need to save more money in this country of ours; we do. But I am not sure in the near term that is going to help move the economy. So the idea behind this stimulus package is, it ought to go to folks who need the money, who will spend the money. In some cases people are desperate for the money, people who might be desperate to feed their families, desperate to pay their heating bills in the winter. But they are going to take that money, whatever it might be, and infuse it, put it back into the economy quickly.

The third T that we have heard a whole lot about is the T for "temporary," the notion here being that we face a significant budget deficit. We do not want to prolong that or make it worse long term. We do not want to dig an even deeper hole than we are in as a result. We want the stimulus package to be of a temporary nature, to help us avoid a dip, avoid a recession if we can. And if we are going to have one, to make it shorter than would otherwise be the case.

The package that has come to us from the House has a good deal recommended. I have never been wild about tax rebates, but I think I supported one back in the earlier part of this decade about 3, 4, 5 years ago. But the package that we have on tax rebates from the House actually is pretty well targeted.

As I recall, there is maybe a \$1,200 rebate that would go to folks, to a fam-

ily, if you have two bread winners in the family. For an individual, it would be \$600. There is a cap if your income is above a certain level, maybe \$150,000 for a family, about half that or so for an individual. If your income is above those levels, you don't receive the rebate. We can quarrel whether \$150,000 is too high or too low. It is what it is. It is better than having no cap at all. There are some who believe we should simply send out a rebate to everybody, \$1,200 for a family and \$600 for an individual. The problem with doing that is, it is little bit akin to taking money from the Federal Government out of one pocket and putting it into the pocket of another family who is not going to spend the money. They are not going to put the money back into the economy. They may save it. That is all well and good, but it is not going to do much to stimulate the economy.

My hope is the Finance Committee will decide we will have a rebate and make sure it is targeted to those folks who are the most in need of some financial help and that any tax rebate we do reflects that. We had economists in recent weeks who have said to us, in testimony and other public forums, we can actually gauge what bang for the buck we get out of Federal stimulus dollars. We are told that if we actually put money into extending unemployment benefits, we get about a buck 75 for every dollar of stimulus we provide. If we put that money toward folks to increase slightly their food stamps, it is about the same. For every dollar we put into that, we get about a buck 75. We don't get quite that kind of return on a tax rebate, particularly if there is no cap. If there is a cap and the money is directed toward lower income folks, it is a better bang for the buck than would otherwise be the case.

My hope is that as the Finance Committee considers what kind of package to put together, they will make sure there is some kind of reasonable cap on any tax rebate we send out.

With respect to unemployment benefits, it makes a lot of sense to extend unemployment benefits, but I would target them. I would especially target them to States where levels of unemployment are high. I think about Ohio. My heart is still with the Buckeyes. They are going through a tough time. As to the folks up in Michigan, I am a huge Detroit Tigers fan, but I also care about the people there and other places where unemployment rates are 8, 10 percent and where people are in some desperate straits. I hope we would target the unemployment benefits that we will extend, whether it is 13 weeks or 26 weeks, to particular places such as those States. For States that are enjoying economic good times, where the rate of unemployment might be 2 or 3 or 4 percent, we ought to be careful about extending unemployment benefits. Certainly, 26 weeks doesn't make a lot of sense to me in those cases. Under current law, people are already eligible for 26 weeks of benefits, and in places

of low unemployment, I don't think it makes sense to add another 26 weeks on top of that. If we had unlimited dollars, that would be well and good. But we have a deficit. It is getting bigger. The idea would be to target it accordingly.

The same thing with food stamps. In a perfect world, I would actually not argue for having food stamps as part of a stimulus package, even though we know it is actually a pretty good stimulus, and there is a need out there. Last fall, we debated in the Senate, as they did in the House, a farm bill. A big part of the farm bill is not just aid to farmers or conservation funding for farmers to conserve open spaces. It is not just helping commodity crops or specialty crops. A big part is nutrition funding, which includes food stamps. I would not say we are close to reaching a compromise between the House and Senate on the farm bill, but my hope is we will get there within a couple months. If we are going to end up including in the stimulus package some provisions dealing with food stamps, I hope we would not make it a long time. I think you could argue for maybe a 3 months' provision. We could come back and extend that if we wanted to, maybe at most 6 months. But I would urge us not to go much beyond that. What we should do is finish our work on the farm bill, work out a compromise between the House and Senate, something the President will sign, and address nutritional needs as part of the stimulus package we are talking about. With respect to food stamps, do that in the farm bill, not in the stimulus package. If we are going to do it in the stimulus, do it for several months, not a year or more.

The Federal Reserve has already done us a big favor in cutting the Fed funds rate, the rate of interest banks charge when they lend money to one another overnight. They dropped it down by three-quarters of a percentage point. That has an immediate effect, a significant effect. It sends a very hopeful signal not just to markets but to households and all kinds of folks who are in businesses needing credit. I commend the Federal Reserve. My hope is they take it a little further today and lop off another quarter percent. I don't know that they will do more than that, but that would be welcome.

In a way, we overestimate the importance of a stimulus package that we adopt. We spend a lot of time wringing our hands and trying to get it right, working out a compromise between all the different sides. In the end, the impact of our package from the Congress and the White House is actually modest compared to the impact you get from a cut in the Fed funds rate by the Federal Reserve of a full percentage point.

I close with maybe two or three points to keep in mind. One, in putting together a stimulus package, make it targeted, timely, temporary. Two, to do no harm, for us not to do something

that is foolish. I would suggest that a tax rebate that goes to Warren Buffett and Bill Gates and the wealthiest people doesn't make a whole lot of sense in an age when the budget deficit is approaching \$250 billion. Let's not do anything foolish, do no harm. And three, maybe one of the best things that can come out of a stimulus is to convey to the folks who are struggling or having a tough time making ends meet, maybe aren't very hopeful, that we can work together. Even in an election year, a lot of politics in the air, we can set differences aside and come together on a package which makes sense, which will be helpful to a lot of folks and to either help us avoid a recession or maybe make it more shallow and of shorter duration.

Among the pieces of the House package that I thought were most meritorious was some stuff people don't think about very much. One of them deals with something called GSEs, government-sponsored enterprises. There are about three that I think a fair amount about. One is Fannie Mae. The other is Freddie Mac. The other is the Federal Home Loan Bank system which raises money for lending for home ownership. There is a proposal that would allow the government-sponsored enterprises, the big financial behemoths of Fannie Mae and Freddie Mac, to have larger mortgages in their portfolio than they are currently allowed. I think they are currently allowed roughly \$400,000, and there is a suggestion that they be able to take on loans to \$700,000 or so. That is fine to do for a short period. I don't think we should make it permanent. I don't think we should do it even for a year. The reason is, we need to come back and provide a strong independent regulator for Fannie Mae and Freddie Mac. If we simply make this change to allow them to put larger mortgages in their portfolio, it is a little bit like saying you, eat your dessert, but you don't have to eat your vegetables.

That is all well and good. They would like to be able to buy larger home mortgages and put them in their portfolios, high-cost places such as California and some places in the Northeast, but at the same time they need to eat their vegetables, and they need to have a strong, independent regulator who will be there to set the right kind of capital standards and to ride herd on these entities to make sure they don't get into trouble and, by doing so, get the rest of us in trouble.

The other thing we need to do—and I don't think it is part of the bill the House has sent us, but it might be—deals with FHA, the Federal Housing Administration. FHA is 75 years old this year. Sometimes people wonder, where did we ever get this 30-year fixed rate mortgage that people could prepay. Where did it come from? It came from the FHA. It has been around a long time. FHA was the birthplace of what we think of as the traditional mortgage. The FHA, as recently as a

dozen or so years ago, was involved in mortgages that went to maybe 20 percent of the homes being bought and sold. Twenty percent used FHA. Today it is about 5 percent. The difference between that 20 percent and that 5 percent for the most part is people have gone into the subprime market, and they have gotten these adjustable ARM mortgages.

People have been lured by teaser rates. Now these adjustable ARMs are resetting. It might have been a teaser rate of 2, 3, 4 percent. They are now going at 7, 8, 9 percent. The folks who got into these exotic mortgages are finding they can't refinance, and they are stuck with some kind of significant penalty or maybe being stuck altogether. What we need to do is bring the FHA of the 20th century into the 21st century and make it relevant for folks looking to buy a house today. We passed legislation in the Senate. They are actually not that far apart. We reduced the amount of downpayment from 3 percent to 1.5 percent for an FHA loan on a home mortgage. And we do some things. We require folks to get the kind of counseling they need. We do a better job on reverse mortgages. When people are old and their houses are basically paid for, they can actually live on the equity of their home for the rest of their lives. The idea would be to make those more readily available to people who could use that kind of help later in their lives.

There are a variety of other changes in the FHA that need to be made to make it relevant for today. Those are examples of some.

As much as anything that we would do in the stimulus package that is being debated right now in the Finance Committee, we need to come to closure on reauthorizing the FHA and bringing it into the 21st century. While we are doing that, we need to go ahead and raise the cap on the amount of loans, the size of the loans and mortgages that can be bought and put into the portfolios of Fannie Mae and Freddie Mac, but only for 6 months, with the idea that between now and 6 months from now, the House and Senate will hammer out a compromise, signed by the President, that will provide for a strong, independent regulator for Fannie Mae and Freddie Mac, for Federal Home Loan Banks. If we do all that, we will convey not just a sense of hope, but we will do something that goes beyond a mere stimulus for a couple months. We will address the underlying problem that got us into this mess, the subprime lending mess in the first place because what we will do is say to the folks who have marginal credit, who otherwise would maybe have to rely on these exotic mortgages, these adjustable ARMs, instead of having to rely on something such as that, they can rely on the FHA, as people have done for a generation, because we have made it relevant for your lives and for your needs.

That is the view from Delaware today. My hope is some of that will be

prevailing later today in the Senate Finance Committee, and we will have an opportunity to take it up and debate it tonight and tomorrow.

I suggest the absence of a quorum.

The ACTING PRESIDENT pro tempore. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. SANDERS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

Mr. SANDERS. Mr. President, I ask to speak as in morning business.

The ACTING PRESIDENT pro tempore. We are in morning business. The Senator from Vermont is recognized.

Mr. SANDERS. Mr. President, I think it is clear to the vast majority of the American people, if not to the President of the United States, that the middle class in our country is shrinking; tens of millions of people are working longer hours for low wages; workers today are getting into their cars and are paying outrageously high prices for a gallon of gas; that senior citizens in the State of Vermont can't afford the skyrocketing costs of home heating fuel; and that at this particular moment in our history, with poverty increasing and the middle class shrinking and our economy in serious trouble, it is absolutely imperative that we pass an economic stimulus package. The bottom line is not just passing a package but passing a good package.

I think there are some positive aspects of the bill that came from the House. I think from what we are hearing, the Senate Finance Committee is going to make that bill even stronger. But the main point I want to make this afternoon is that when we pass an economic stimulus bill, we have to get it right. It has to be fair. It has to have the impact of rejuvenating our economy and helping those people in need.

Later this afternoon, as the Presiding Officer knows, the Senate Finance Committee will be voting on what I believe is, for the most part, an improved version of the economic stimulus bill that came from the House. I think it is right that the Finance Committee bill includes an extension in unemployment insurance for 13 weeks in all States and an additional 26 weeks in States with high unemployment. That is obviously the right thing to do, because people who lose their jobs, people whose unemployment compensation expires, are people in desperate need. Those are the people we need to help. From an economic stimulus point of view, those people will take that money, spend it, and help stimulate our economy.

I am also pleased that the Finance Committee extended the rebates to 20 million senior citizens who don't earn income, and that was certainly a major lack in the bill that passed the House. There are millions and millions and

millions of senior citizens in this country hanging on, on low fixed incomes, getting their Social Security check every month, but having a very difficult time making ends meet, especially with health care costs rising, heating fuel costs rising, prescription drug costs rising. Those people need help. It is absolutely imperative that if we pass an economic stimulus package, it must include our senior citizens as well. I applaud the chairman of the Finance Committee for including that provision in the bill.

Furthermore, I am strongly in agreement with the proposed package coming out of the Senate Finance Committee that low-income Americans who pay Social Security and Medicare taxes should also receive the same rebate as somebody who is earning \$50,000, \$60,000, or \$80,000 a year. In point of fact, those people are most in need, and I disagree with the House provision that would provide them with a \$300 rebate as opposed to middle-income or upper middle income people who get a \$600 rebate. We should not provide a two-tier rebate approach. Everybody should get the same amount. Certainly lower income people have more need of the money than upper income people. So I think that provision in the Finance Committee proposal makes a lot of sense.

Having said those positive things about the Finance Committee package, there is one area where I strongly disagree. Under the House package, the rebates were capped at incomes of \$75,000 per year for individuals and \$150,000 a year for couples. As I understand it, the Finance Committee would eliminate those caps and they would say to the wealthiest people in our society, to the millionaires and to the billionaires, to Bill Gates, to Warren Buffett, that you will be eligible for a tax rebate. At a time when this country has a record-breaking national debt, at a time when the people on top have never done so well, and the richest 1 percent are doing very well based on anyone's analysis; at a time when the richest 1 percent have already received collectively hundreds of billions of dollars in tax breaks from President Bush, the idea that under a so-called economic stimulus package we would be providing \$500 to Bill Gates is not only absurd, it is laughable. I hesitate to think what the American people will conclude if we go forward in that approach, and if we do away with the cap at \$150,000, which the House appropriately placed in there.

It has been estimated that eliminating the income caps for the rebate checks, giving that money to Bill Gates and other billionaires would cost about \$5 billion. Five billion dollars would, in fact, be enough money to significantly increase food stamps for tens of millions of the neediest Americans in our country. I don't think it is rocket science to suggest that it is more important to make sure that kids in this country get adequate nutrition,

that older people be able to get some help in food stamps, than giving a \$500 check to millionaires and billionaires, not to mention that all of the economists agree that if you are talking about an economic stimulus, the fastest way you get that money out into our society is by giving it to people who are most in need who will then spend it, not to the wealthiest people in this country. I hope very much that every Member of the Senate will conclude that giving a tax rebate of \$500 a person in a so-called economic stimulus package to the wealthiest people in this society makes zero sense.

In my view, despite the improvements or most of the improvements we are seeing in the Senate Finance Committee, I think that, frankly, there is a lot more that must be done in the economic stimulus package, and it should be done for two reasons. No. 1, for 7 years, we have had a President who has turned a blind eye to the middle class and working families and lower income people in this country; at a time, in fact, when poverty is increasing, his contribution to the process was to propose major cutbacks in one program after another. I think it is time now that Congress pay attention to the needs of the middle class, lower income people, and start addressing their needs rather than just upper income people who have received so much over the last 7 years. Specifically, we must provide help to those most in need, particularly senior citizens on fixed incomes, low-income families with children, and persons with disabilities.

We must strengthen the middle class in this economic stimulus package, and we must put Americans back to work at good-paying jobs by paying attention to our infrastructure, which has so long been neglected with the results being that we have bridges and roads and culverts and school buildings that are in desperate need of repair.

If we fail to pass an economic stimulus package that does not accomplish all three of these goals, we will have missed out on an important opportunity to strengthen our economy and to help those people most in need.

Here are just a few steps that I believe we should be taking. First, I believe we should increase the stimulus package by at least \$25 billion. I also believe we should reduce the business tax breaks by at least \$25 billion. Mark Zandi from Moody's has estimated that the business tax breaks contemplated by Congress would yield very little stimulus to the economy, much less than increasing food stamps or unemployment benefits. In other words, if the goal is to stimulate the economy, the tax breaks being proposed for the business community in many ways would have much less of an impact than many other proposals, such as increasing food stamps or unemployment benefits.

If we did those two things—increase the stimulus package by \$25 billion and reduce the business tax breaks by \$25

billion—that would leave us with an additional \$50 billion. What can we do, what should we do with this \$50 billion? We could complete the picture. We can put Americans back to work at decent-paying jobs, we can help those who are most in need, and we could strengthen the middle class.

How do we do that? Specifically, I believe we should provide \$5 billion for an expansion of the Food Stamp Program. In America today, poverty is increasing. We are seeing levels of desperation in the State of Vermont and all over this country that we have not seen in many years. Food shelves in the State of Vermont and throughout this country are running out of food. I understand that in the agriculture bill, there are proposals to increase food stamps, but we do not know when that farm bill is going to be passed. We have to act now. Let's support our neighbors who are having a hard time feeding their families. Let's substantially increase food stamps and do it in this economic stimulus package.

What else should we be doing? I can tell my colleagues, coming from one of the coldest States in America, at a time when home heating fuel prices are soaring, it is absolutely imperative that we significantly increase funding for the LIHEAP program. Many of the people on LIHEAP are senior citizens, and the rest are low-income people. With fuel prices soaring, with poverty increasing, more and more people are having a difficult time keeping their homes warm. We must significantly increase LIHEAP funding. The economists tell us that is also an important mechanism if we are going to stimulate the economy.

Including food stamps, LIHEAP, and unemployment benefits in the economic stimulus package is not only the right thing to do in terms of stimulating the economy, it is the moral thing to do. We cannot, we must not turn a blind eye to those people who are most in need. That is what has gone on year after year under Republican rule. It is time we turned that around and told those Americans most in need that we hear them, we know what is going on, and this Congress, this Government will respond to those needs, and now is the time to do that.

In my State and all over America, our infrastructure is crumbling. There are estimates that we need over \$1 trillion to rebuild our bridges, our schools, our culverts, and in the process of doing that—this is work which has to be done, and the longer we wait, the more it costs. I speak as a former mayor. When you delay your infrastructure repairs, all it means is it is going to cost you more next year. We can put many workers back to work doing this very important task of rebuilding our infrastructure, making sure the schools our kids are going to are updated, and making sure they are energy efficient. If we make our schools and public buildings energy efficient, in the long run we are going to

save money. But as an immediate economic stimulus, putting money into the infrastructure can create many jobs, and these are good-paying jobs. I am talking about schools, bridges, roads, sewers, wastewater plants, rails, ports, airports, health delivery systems, and other infrastructural needs. Last year, about 200,000 construction workers lost their jobs, and this is a good way of bringing at least some of them back into the workforce.

I will also give two more examples of investments we should be making that can have a very significant impact upon the lives of the American people.

When a worker loses his or her job, in all likelihood that worker is also losing his or her health care. We have seen, since Bush has been President, over 7 million Americans lose their health insurance, and as unemployment goes up, surely that number will only increase.

If we just provided, for example, \$148 million for the expansion of community health centers, that would be enough money to create 227 new CHCs all over this country. It would provide jobs for health care workers, but even more importantly, when somebody loses their health insurance, they would have the opportunity to access primary health care, dental care, low-cost prescription drugs, and mental health counseling. This is a good investment at any time. It is an especially good investment now. It puts people to work and will provide health care access for millions of Americans.

For those who question the appropriateness of including community health centers in an economic stimulus package, I simply remind them that this is precisely what we did under President Ronald Reagan's stimulus package in the 1980s. It worked then, and I believe it will work now.

Another important investment we should be making is to provide at least \$500 million for the low-income Weatherization Assistance Program. Weatherization is a program that is going on all over the country. We do not need a new bureaucracy to funnel that money into the projects; it is there already. In Vermont and in many other parts of America, the needs for weatherization far outstrip the funds that are available. Many of the community action agencies have long waiting lists.

Funding weatherization makes eminent sense for a number of reasons. No. 1, the programs are in place. We can put people to work right away. That is an economic stimulus. No. 2, it is absolutely absurd that millions of low-income people continue to live in homes which are very poorly weatherized, where insulation is lacking and they have inadequate roofs, windows, and doors. They are putting money into their heating system, and that money is simply leaking out of their homes, causing, by the way, an increased problem with greenhouse gas emissions. So weatherization makes sense in terms of creating jobs, it makes sense in saving people money on their fuel bills, and it

makes a lot of sense for those of us who want to cut back on greenhouse gas emissions.

Back in 2001, when both you and I, Mr. President, were Members of the House, I was an early backer of tax rebates. I strongly support tax rebates for middle-class and for low-income families with children and for persons with disabilities. I also believe senior citizens who do not pay income taxes should be receiving this assistance as well through a bonus in their Social Security checks. But giving someone \$500 or \$1,000 alone will not fix the economic problems the middle-class and working families of our country are facing. Putting Americans to work at decent-paying jobs and helping those most in need is also extremely important.

We must pass an economic stimulus package. We must do it as quickly as we can. But we must do it in a way that really has an impact on our economy and an impact on the lives of those people who are most in need. In the coming hours and days, I intend to be actively involved in that process.

Mr. President, I yield the floor, and I suggest the absence of a quorum.

The ACTING PRESIDENT pro tempore. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. GREGG. I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. SANDERS). Without objection, it is so ordered.

Mr. GREGG. Mr. President, what is the regular order?

The PRESIDING OFFICER. The Senate is in morning business. Senators are authorized to speak for up to 10 minutes.

Mr. GREGG. Mr. President, I rise to speak about the discussion of how we will handle this economic slowdown. First, it is important to put this economic slowdown in some context.

It is very difficult to know how significant it is. In fact, we had some economists testifying today before the Budget Committee, where I am ranking member, who said they weren't sure we were going into recession, are people who are highly respected, but they needed further numbers. We have economists who believe we are in a recession who are highly respected. Martin Feldstein from Harvard expressed that view today before the Budget Committee. Professor Blinder of Princeton, who was a Federal Reserve Board member at one time, expressed the view that he didn't know.

Some things are fairly clear. The first is, there is tremendous stress on the economy because of the subprime meltdown in the housing market. In fact, the numbers are fairly staggering. The housing situation is probably as severe as it has been in recent history. That has led to a contraction of credit generally, which is what happens, regrettably, in such a situation where

you have a very significant sector of the economy which has been subject to a bubble situation where there was an expansion which was not supported by the underlying value and which cannot, in this case, be supported by the repayment structure that is in place or the value of the collateral. The bubble bursts, and people find themselves unable to repay their loans, and the value of their collateral isn't high enough to offset the value of the underlying loan. As a result, that credit is contracted.

That leads to other credit being contracted because, as those loans, unfortunately, dry up and go bad or can't be repaid, you find that the banking community generally has to continue to maintain its capital and its liquidity position. So it starts to contract its lending to people who can repay and who are good risks because the banking community doesn't have the resources to continue to expand because it is being contracted by the reduction in the value of the loan portfolio tied to housing. This feeds on itself.

Regrettably, I have been through this three times in my professional career. The worst was when I was Governor of New Hampshire. At that point, in the late 1980s, early 1990s, we had a national crisis relating to housing which translated into a crisis in banking. In fact, of the seven major banks in New Hampshire, all were statistically insolvent. Five of them failed. Two of them survived because they were owned by outside banks that had the resources and capital to prop them up. But it was a regional event, and it was due to a lot of factors, primarily explosive lending in the 1980s which was not supported by, again, underlying collateral. It fed on itself so that people who had outstanding loans, who could actually repay, found they couldn't roll the loans over because the banks were not able to give them additional funds because they didn't have it.

This time it appears to be a little different in that so much of this housing paper has been sold and resold and is spread liberally across the world. You could have gotten a mortgage in New Hampshire and have somebody in Germany own it now, or some part of it, as a result of this resale. So the risk has been spread outside the American banking system. That has two effects: One, it does spread the risk; second, the problem is that as these subprime loans come up, people who actually have good jobs and can pay a reasonable rate, as these ARMs are coming up at such high rates that they aren't reasonable, those folks are finding it difficult to renegotiate because there is nobody at the teller window, so to speak. They are dealing with servicing agencies which have no relationship either to the people who hold the debt. It is very hard to renegotiate these loans effectively.

This is all compounding on itself and looks as if it is going to lead to a fairly significant slowdown or, as has been said by a number of people, potentially

a recession. In response, the Federal Reserve has cut rates, once by 75 basis points and again today by 50 basis points. Those are significant cuts and should have a positive impact on the formation of liquidity in the market and also, obviously, on taking the pressure off the refinancing effort in the area of lending. But it takes 6 to 9 months before that works its way through the system.

The question is, what do we do to stimulate the economy now, today, in the next 6 to 9 months when we have this window of slowdown which is very difficult to deal with because of the housing market crisis compounding into the general lending area crisis and the fact that some of our major banking institutions are under very significant stress.

My view is—and I guess it is a minority view—that you focus the effort on that which is going to give you not only immediate stimulus but, hopefully, in the long term a stronger economy; in the long term an economy that is more efficient and more effective in creating jobs and making the American economy stronger. So you value every one of the options that are on the table by the basis of does it give you stimulus in the short run but, also, does it give you something in the long run which is going to produce a stronger economy.

The proposals on the table are mostly divided into two categories: one to give people money to spend and, two, to give businesses incentives to go out and buy equipment and invest.

The money-to-spend issue becomes fairly problematic in a world economy. You give somebody \$500 or \$600 to spend and if they actually spend it and they don't spend it on goods produced in the United States, it has virtually no impact on stimulating our economy. If you purchase a television from China or an iPod—I don't know where they are made, but let's say they are made in Vietnam—with the \$500 that you receive as a tax stimulus through a stimulus package as a tax rebate, that has nothing to do with creating jobs in the United States. It may create jobs in China. It may create jobs in Vietnam. But it does not create jobs here, except at the margin, for the retail effort in the United States.

Also, if you give money to high-income individuals as a tax rebate—and basically, historically, those dollars do not get spent at all; they do not stimulate the economy in that sense at all—they get saved because high-income individuals have the discretionary income to spend anyway. So if they are going to get a windfall of \$500, \$600, \$1,000, it is likely they are not going to spend that in addition to the other money they already have available to them, and they are probably going to save it. That does nothing to stimulate the economy.

So as we look at this tax rebate effort, which I understand is being done for the purposes of stimulating the

economy—the classic Keynesian effort of creating demand in the economy to grow the economy in a slowdown period—I think you have to look at what are the practical implications, what are the real implications of putting this money on the table for people.

To begin with, it makes no sense at all to give it to high-income individuals. Even though I am a Republican—people may think that is counter-intuitive—the simple fact is, it does not make any sense. So there should be a cap. I do not understand why the Finance Committee draft—what they are proposing—has no cap.

But, secondly, unless this money can get out fairly quickly, and unless you can be fairly confident that it is going to go to purchases which are going to assist the American economy, then probably all you are doing by sending this money out the door in the form of a tax rebate is creating an income transfer which will obviously benefit lower-income people from a social standpoint but probably will not have much of an impact on the economic policies of stimulus.

It does not look like we can get this money out the door very fast. The fastest track I have heard, which was testified to by the CBO Director, is the IRS could get these checks out maybe by the middle of June. But he also said the practical implications are that those dollars will not have an impact on the economy until the end of the third quarter or beginning of the fourth quarter, or, as he said, the Christmas season of this year.

By that time, the Fed rate cuts will probably also have kicked in and started having an impact, so you may not be getting what you want, which is action in these first 6 months of this year as versus action at the end of this year to stimulate the economy. In fact, you may have two stimulative events coming in on top of each other, which might actually even be inflationary.

It would seem to me that rather than taking this approach, it would make a lot more sense to put money where the problem is. Now, this has been resisted by the administration, and it is not being talked about a lot around here by the folks who are putting together the package. But it would seem to me that middle-income people who have these loans that are rolling over—these subprime loans—are the people who need the ability to refinance those loans so they do not get foreclosed on over the next 6 months. There are a number of ways we could do that. There are a number of ways we could actually put money into that area as a Federal Government which would benefit that group of people who appear to be at the essence of the problem—more than just sending the money out to everybody and hoping their demand will raise the economy in general.

A tax credit to those folks, which is refundable, based off their interest payment on the refunded loan, is one option to get them through this period. A

restructuring mechanism, which allows them to restructure and get assistance through restructuring, by significantly expanding FHA, by raising and putting that into the package, which is not in the package—it is being talked about in a separate vehicle, but it is not in the package—would help. Giving the State housing authorities more capacity to put money into the market would help. It would help. That is being talked about, which is good.

Allowing Freddie Mac and Fannie Mae to raise their cap—but to do it in the context of also underlying reforms so we do not end up, a year or two from now, where Freddie Mac and Fannie Mae are going under—would help. The first part is being talked about, raising the cap, but not the second part, the reform mechanism. So there are some things we can do that I think would get to the problem more appropriately—and the issue of the economic slowdown would mute that, hopefully—and would also in the long run create a much stronger economy.

I have introduced today—I did not introduce it—but Senator ISAKSON introduced it today; and I am his primary cosponsor—a bill to do this in the area of tax credits. But it is not going to be included in the package, which is unfortunate.

The second part of the package which is being talked about is investment incentives for businesses, small businesses. They should be directed at small businesses, by the way, because small businesses create the jobs in this country. These involve expensing and bonus depreciation, as it is referred to, and net loss operating carryback. So if you have a net loss this year because we have a slowdown, you can pick it up in years you have had a profit—apply it to years you have had a profit—reducing your tax burden.

These are all good ideas, in my opinion, very good ideas, and will strengthen the economy. In the long run, it will make us more efficient and create more jobs. And jobs are the bottom line. So I have no problem with that part of the package.

But a third part of the package being talked about is extending unemployment insurance. If you talk to most of your economists around here who present before the Congress—and many of them do, obviously. In the Budget Committee we have an almost unending stream of economists before us, and they are always very informative. If they come out of what I call the Galbraith school of economics, which is sort of the Harvard school of economics, which is a stepchild of the Keynesian school of economics of the 1930s, they will basically say if you want to get dollars into the economy quickly, you put it into unemployment insurance and food stamps, because that gives you an immediate boost in the economy to people who will spend it because they need it. That is probably a legitimate argument, especially on food stamps.

But on unemployment insurance, it is not a legitimate argument if you have full employment. In fact, it is the absolute opposite of what happens when you have full employment. To extend the unemployment insurance benefits by a year, which is what is being proposed, in the areas that have essentially full employment means you give a disincentive to people to go out and find a job in an atmosphere where jobs exist.

By definition, if you have a full-employment economy, you have jobs going unfilled. So, for example, in my State of New Hampshire, where we have an unemployment rate which is essentially 3.7, 3.8 percent for the State—and the highest level of unemployment we have for any county in the State is 4.4 percent—we have what is known as full employment. Now, there are pockets of problems. We have one specific town in the State which was a single-factory town and the factory, regrettably, has recently closed, so that specific group of individuals has a very serious issue, and there is a way to address that in a targeted way.

But to extend unemployment insurance for our entire State, when we are at actually less than full employment—we are actually below full employment—in other words, we have a lot of jobs going unfilled when you are at 3.7 percent employment—full employment being 5 percent in our economy, in the 5-percent range—you essentially create an incentive for people to stay on unemployment much longer than is necessary for them to find a job.

We know statistically if you have an economy where jobs are available, an economy where unemployment is under 5.5 percent, that means you have jobs available and that most people find a job in the last 2 weeks of their unemployment. That is human nature: They stay on unemployment until almost the end and then find a job. If you extend it another year, those folks who could be productive, procuring a job, creating economic activity by having a job, will stay on unemployment, even though there may be a job out there they could take because you have jobs available. So it makes no logic to extend unemployment insurance in areas where you have full employment. And full employment in our economy is defined as basically under 5.5 percent. The Nation is at 5 percent right now.

We have never extended unemployment insurance in this country when we have had an employment rate under 5.7 percent—never. So to do this at this time is counterintuitive to how you make the economy more efficient and, as a result, stimulate the economy.

One of the economists who testified before the Budget Committee today said if this would work, you should always extend unemployment insurance and keep everybody on unemployment forever because, basically, if you have a full-employment economy, and you are going to get your economy more

stimulated by having more people stay on unemployment, then leave everybody on unemployment. Obviously, that does not make any sense. He was saying that tongue in cheek.

It is fairly clear, if you have an economy where you have jobs that are not being filled, you do not arbitrarily extend unemployment insurance for a uniquely long period because those jobs will never be filled because nobody will ever leave unemployment insurance. So you undermine the efficiency of the economy. It is sort of the old French approach to do it that way—not the new French approach but the old French approach.

Yes, there may be regions of our country that have an unemployment rate where clearly there are no jobs available, and those regions need relief. I would be more than happy to see an unemployment insurance extension which was tied to a trigger which said: All right, historically, we have viewed under 5.5 percent as full employment; over 5.5 percent we are getting into a serious issue; so let's take the 5.7 percent rate—which is where we have historically never gone below to extend unemployment insurance—but let's take the 5.7 percent rate and put a trigger into the system, so if a State or even a region within a State—that is a definable region that is significant—has an unemployment rate of over 5.7 percent, they get the extended unemployment benefits.

That makes sense. But a general national extension of unemployment insurance for the sake of stimulating the economy is going to be counterproductive if you have a full-employment economy in the regions. States such as Michigan may need the extension. States such as New Hampshire, I am sure, on an individual, anecdotal relations basis, may need it, but as a practical matter it would be counterproductive to our economy to do it because we are at 3.7 percent unemployment. So that proposal, which, by the way, the House looked at and said it did not make sense in the context of this economic situation, should not be inserted by the Senate.

I think the best approach we can take—because I, obviously, have reservations about the stimulus package that came out of the House on the demand side. And I have reservations about some of the initiatives within that package. I would like to see that package, obviously, include more of a target on the problem which is to address the issue of home ownership and the housing stocks, which are so overpriced now, and, unfortunately, empty—making sure we figure out some way to move people toward absorbing that housing side. I would like to see more of that, but that is not going to happen. It is not going to happen in the context of the period we have to act.

There is an agreement that exists between the President of the United States and the Speaker of the House of



Representatives and the Republican leader of the House of Representatives. It is agreement that involves tradeoffs. But the basic underlying purpose of the agreement was and is to stimulate the economy. It may or may not do that, but the one positive effect I will stipulate it will have is it creates at least a sense that the Congress and the Government and the President and the Speaker of the House and the Democrats and the Republicans can cooperate to try to address what is clearly a slowing of our economy through some fiscal policy action.

Even though it is \$150 billion, which is a lot of money—and all that money is going to have to be borrowed from our children, unfortunately, and over 10 years it totals up to being about a \$200 billion event because of interest compounding on it—even though that is a high price tag to pay for what you might call a confidence builder, it is still something you can argue should be done if you have that type of an agreement.

For the Senate to sort of step in and say: Well, we want to tinker with it, and we want to change it there, well, it is nothing more than an execution of Senate prerogative, but it is not going to help the policy because none of the proposals coming out of the Senate committee are all that good on the side of policy—especially the unemployment insurance proposal and the lifting of the caps on the benefits proposal—what it is going to do is undermine the confidence of the American people that we as a government can act.

So the high water mark appears to me to have been reached on this issue when the President and the Speaker of the House reached agreement, working with the Republican leader in the House. I think we as a Senate ought to take sort of a mature attitude and say: Well, progress was made. We are confronting a fairly serious situation. Let's not throw out our proposal simply for the sake of putting a proposal on the table. Let's recognize that something needs to be done quickly, and that this is the best we are going to get. Hopefully, that will be the resolution of this process as we move toward concluding, and one hopes this can be done within the next week.

Mr. President, I yield the floor.

The PRESIDING OFFICER. The Senator from Missouri is recognized.

#### ORDER OF PROCEDURE

Mr. BOND. Mr. President, I have three colleagues who want to join me in discussions of the FISA bill. I realize in morning business it is supposed to be 10 minutes. Since there are three different Members with whom I wish to have those discussions, I ask unanimous consent to be allotted 30 minutes to this will be on the FISA bill, but since we are speaking in morning business, I ask unanimous consent to be recognized, with my colleagues, for 30 minutes.

The PRESIDING OFFICER (Mr. NELSON of Nebraska). Without objection, it is so ordered.

#### FISA

Mr. BOND. Mr. President, our first Member is a distinguished member of our Intelligence Committee, the distinguished junior Senator from North Carolina. I yield to him.

Mr. BURR. Mr. President, I thank the ranking member, Senator BOND.

We have heard some people claim that the Intelligence Committee's bill will allow dragnet surveillance that will sweep up communications of innocent Americans. Is this accurate?

Mr. BOND. Mr. President, that question has been raised. We have heard that on the floor a number of times. I think it is very important that we dispel that myth right now. The answer is no—a flat no. Our committee bill only allows the targeting of persons outside the United States to obtain foreign intelligence information. It is not dragnet surveillance. The targets of acquisition must be foreign targets and they must be suspected terrorists or spies. The Attorney General and the Director of National Intelligence, whom I will refer to as the DNI, must certify that a significant purpose of the acquisition is to obtain foreign intelligence information.

For example, if a foreign target is believed to be an agent or a member of al-Qaida, then all communications of that target could be intercepted.

Only Americans who communicate with suspected terrorists abroad will have those specific communications monitored. If those same communications turn out to be innocent, they will be minimized, which is intel community speak for suppressed, so that Americans' privacy interests are protected.

It is very misleading and nonfactual to suggest that the intelligence community is spying on parents who are calling their children overseas or students who are talking with their friends, or on our own soldiers in the battlefield. Our intelligence professionals are far too busy tracking real terrorists, members of al-Qaida, than to listen to family discussions or conversations between classmates. Not only do they not have time that is not permitted under this bill.

Mr. BURR. What happens when the intelligence community does become interested in the communications of a person inside the United States?

Mr. BOND. Mr. President, I thank my colleague from North Carolina, because that is precisely what our bill, the FISA Act Amendments bill, does. That information will be turned over to the FBI, which would seek a title III criminal warrant, or a FISA order, to intercept all of the communications of that person, not just communications with targets overseas.

Mr. BURR. We have heard a number of people claim that the foreign tar-

geting authorized under the Intelligence Committee's bill contains inadequate protections for U.S. persons. What specific protections are included for innocent Americans?

Mr. BOND. This is where the Intelligence Committee bill goes much farther than any other law we have had in our history in protecting U.S. persons; that is, U.S. citizens and others here in the United States.

The bill includes express prohibitions against "reverse targeting," and reverse targeting is a knowledge that you can target a person overseas when the real purpose is to target someone in the United States. This is illegal. The intelligence community does not do it. Frankly, it is terribly impractical. They cannot under the law that we have presented to this body target a person inside the United States without a court order.

The bill also requires that all acquisitions comply with the protections of the fourth amendment. In addition, the Intelligence Committee bill requires, for the first time in history, that the Foreign Intelligence Surveillance Court—and I will refer to that as the FISC—for the first time in history approve any surveillance of a U.S. person, or an American citizen abroad. This goes beyond the requirement even in existing American criminal law.

Mr. BURR. As my good friend noted, the Intelligence Committee bill gives the FISA Court an important role in foreign targeting. The bill requires that any acquisition be conducted pursuant to the specific targeting and minimization processes and procedures. What is the court's role with respect to these procedures?

Mr. BOND. This provision came about as a result of discussions by members on both sides of the committee who wanted to provide protections for Americans overseas. To do that required a significant expansion and clarification, which is included in the managers' amendment that Senator ROCKEFELLER and I have produced and have pending before the body.

Under this bill, the FISC must review and approve the targeting and minimization procedures used by the Government in conducting its foreign targeting operations. The court must find that the targeting procedures are reasonably designed to ensure that the authorized acquisition is limited to the targeted persons reasonably believed to be located outside the United States. The court must then find that minimization procedures comply with the FISA law.

The court will also review the joint certification issued by the Attorney General and the DNI to make sure that it contains all of the required elements. If the court finds there is a deficiency in those procedures or the certification—that even for a minor drafting or technical reason they do not comply with the law—the court can order the Government to correct the deficiency or cease the acquisition.